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C O N F I D E N T I A L SECTION 01 OF 05 COLOMBO 000631

SIPDIS

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DEPARTMENT FOR SCA/INS
MCC FOR S GROFF, D NASSIRY, E BURKE AND F REID

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TAGS: [PGOV](#) [PREL](#) [PTER](#) [PHUM](#) [MOPS](#) [ECON](#) [EAID](#) [SL](#)
SUBJECT: SRI LANKA: SCENESETTER FOR ASSISTANT SECRETARY
BOUCHER'S VISIT TO SRI LANKA

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Classified By: Ambassador Robert O. Blake, Jr., for reasons 1.4(b,d).

11. (C) INTRODUCTION: Your visit comes at a time when the environment for human rights, civil liberties, and media freedom is declining broadly as the conflict escalates. Our top priority is to press the government to put forward a serious power-sharing proposal that can help it win back the sympathy of Sri Lanka's minorities, especially Tamils. We should urge the government to exercise military restraint and to develop a political strategy for resolving the conflict - whether or not this ultimately means returning to negotiations with the Tigers. Your visit can also help us reinforce the message that Sri Lanka must improve its human rights performance and cooperate with the international community on helping people - nearly all Tamils - displaced by the conflict.

GOVERNMENT'S INTERNAL POLL SHOWS DECLINING POPULARITY

12. (C) An island-wide survey, conducted every 6 months under the direction of Presidential Adviser Sunimal Fernando, indicates that the Government's popularity is slipping. The government's popularity has dropped from 56 percent to around 40 percent in the last six months, mainly due to corruption and misappropriation of state funds. Sixty percent of those surveyed said the government was corrupt. The personal popularity of the President, however, has declined by only about 5 percent. This decline was attributed to the President's decision to accept 18 UNP defectors in January: around 90 percent of the people interviewed did not approve. Nonetheless, eighty percent of those surveyed were opposed to the idea of a general election before 2010. The main opposition UNP has not been able to capitalize on government failings: its popularity has only risen from 36.5 percent to 40 percent.

13. (C) Over 60 percent of the people interviewed endorsed the war. Responders indicated that the LTTE must be militarily crushed before starting any new negotiations. Around 25 percent said the government should not negotiate

with the LTTE at all. In the survey team's assessment, the military actions taken against the LTTE have maintained the popularity of the President. However, people blame the government for the rising cost of living. Less than 20 percent agree that it is difficult to reduce the cost of living until the war is over. Combined, these results suggest that the Sri Lankan public generally supports the government's military approach to the conflict, but is unhappy with government performance on other fronts. An updated attitude survey conducted by the Center for Policy Alternatives also confirms the Sinhalese majority's strong support for the government's military actions.

NO CLEAR GOVERNMENT STRATEGY

¶4. (C) The government is still divided between hardliners who favor a military solution and those, such as representatives of minority parties, SLFP moderates, and the UNP "crossovers," who favor a negotiated settlement. However, the GSL's current strategy appears weighted heavily in favor of pressing forward to achieve military objectives, at least until the devolution proposal is ready to be tabled. GSL officials profess to hope that pressure on the LTTE will lead to political reconciliation in the future. But they remain divided on whether to negotiate with the LTTE at all, and if so under what auspices since Norwegian mediation has been subjected to savage and unfair criticism for being biased in favor of the LTTE.

CONSENSUS ON DEVOLUTION: WHAT WILL GOVERNING PARTY DO?

¶5. (C) Work on the All-Party Representative Committee (APRC) to draft a devolution proposal has been stalled because the governing Sri Lanka Freedom Party (SLFP) has not yet

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submitted its inputs. On April 25, an SLFP minister told emboff the party's central committee, chaired by President Rajapaksa, had met that day and finalized its proposals for the APRC. According to the Minister, the SLFP is proposing to replace provincial councils with district councils. That suggestion marks a major difference with positions put forth by several other parties and outlined in a compromise document by APRC chairman Minister Tissa Vitharana. We should not underestimate the political challenges the President faces. No previous President has ever tabled far-reaching proposals. But the President does enjoy the support of his Prime Minister (unlike Kumaratunga) and strong support among the Sinhala majority. He therefore has a big opportunity should he choose to exercise it. It is not too late to salvage the APRC process but the President himself must embrace it, which he has been reluctant thus far to do.

¶6. (C) In a recent conversation with the Ambassador, APRC chair Tissa Vitharana reported that once the SLFP's proposals are in, his Committee will take approximately two months to negotiate and produce a single, comprehensive devolution proposal. Ideally, that proposal will include constitutional changes to allow for greater devolution. If so, it would go first to the Supreme Court to ascertain legality, then to parliament, where it would need a two-thirds majority to pass, and finally, to a national referendum. Only after that exhaustive process would the proposal be ready for the government to present to the Liberation Tigers of Tamil Eelam in a negotiation, if the Government decides to go that route.

Thereafter, it is questionable how much leeway the government would have to make any further concessions to the Tigers, since the proposal will have been through such an exhaustive consensus-building process. But insiders have told us they are prepared to allow some negotiating room.

HUMAN RIGHTS: PROMISES, BUT LITTLE PROGRESS

¶7. (C) Currently, human rights conditions in Sri Lanka are mixed, with most indicators showing negative trends. The GSL has taken some steps to address international criticism, including formation of an interagency committee chaired by Foreign Secretary Kohona that meets weekly to discuss human rights problems. On April 24 the Ministry of Defense re-released Presidential directives that establish procedures for arrests and detentions, as we had urged them to do. President Rajapaksa has tasked a "One-Man Commission," Mahanama Tilakaratne, with following up on the list of 347 abductees Ambassador presented to Presidential Chief of Staff Lalith Weeraratunga on March 20. The number of reported abductions in the Colombo area in April is far lower than the average number of abductions for the first three months of ¶2007. After Ambassador's repeated interventions, a shipment of newsprint finally reached Jaffna, which should allow Tamil papers to operate for approximately three months before they will need to be resupplied.

¶8. (C) However, there are still significant human rights problems that will require more than cosmetic fixes. Abductions continue unabated in the North, East and parts of the Western province. Some of these may simply be kidnappings for ransom by criminal syndicates, but the majority of these abductions are likely conducted by paramilitaries operating with at least tacit government approval. Many abductees never reappear, even after ransom is paid. Embassy sources also allege that the Defense Ministry has given paramilitary groups a green light to extort money from businessmen, especially in the Vavuniya area, which is increasingly lawless. Media freedom continues to be a problem area. There are recent, credible allegations that Defense Secretary Gothabaya Rajapaksa personally threatened the safety of some journalists for publishing unflattering reports. The recent killing of another Tamil journalist brought the total to eight since the conflict began to re-escalate in April 2006. Journalists report exercising self-censorship, drastically curtailing their reporting after receiving death threats.

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¶9. (C) There has been a disappointing lack of progress by the Commission of Inquiry (CoI) and the International Group of Imminent Persons (IIGEP). One of the biggest hurdles has been the lack of witness protection capacity. The CoI, with IIGEP and UN OHCHR assistance, is in the process of constituting a Victim Witness Protection Unit (VWPU). For lack of witnesses, the CoI has yet to convene any formal hearings. On March 21, the Secretary of the CoI informed IIGEP in writing that public hearings will be held for 5 days in May, 6 days in June, and 8 days in July -- but failed to specify which dates. So far, IIGEP has received only two incomplete police case files (concerning the August slaying of NGO workers in Muttur and 5 students killed in Trincomalee) from the CoI. The Defense Ministry canceled a planned CoI/IIGEP trip to Trincomalee and Muttur, citing security reasons; it has been rescheduled for April 27-29.

¶10. (C) Key messages:
-- Reiterate that failure to improve human rights conditions in Sri Lanka will cause us to consider supporting action in the UNHRC and potentially Louise Arbour's call for deployment of international human rights monitors.
-- Welcome the publication of arrest guidelines but stress that these must be implemented.
-- The Media must be free to serve as a check on the government.
-- The CoI and IIGEP must have the scope to fulfill their mandates. This must bring meaningful progress towards investigation, arrest and prosecution of serious offenders.

HUMANITARIAN SITUATION REMAINS SERIOUS

¶11. (U) The International Crisis Group lists Sri Lanka among

the top seven complex emergencies in the world. Sri Lanka has one of the largest IDP populations in Asia, with an estimated 684,461 persons displaced. This number includes 312,712 long-term (average of 10 years) IDPs (UNHCR May 2006), 301,879 displaced by fighting since April of 2006 (UNHCR April 2007), and an estimated 69,870 persons (13,974 families) still displaced from the 2004 tsunami (GSL January 2007). (Note: the GSL disputes many of these figures, even though most are arrived at through consultation with local government agents.) International relief groups including ICRC and UNHCR have expressed concern that an additional 170,000 people would become displaced in the event of GSL offensive ground operations against the northern LTTE stronghold in the Vanni. 660,000 residents of the Jaffna Peninsula are not displaced, but are effectively cut off from the rest of the country since August 2006 due to fighting and the closure of the A9 highway. UNHCR also reports that 17,755 people have fled Sri Lanka as refugees to Tamil Nadu in India since January 2006.

¶12. (U) The escalation of the conflict in the last 12 months has resulted in an estimated 4000 deaths, one-third of those civilian. Aid workers in the East have reported an escalation in murders, human rights abuses, disappearances, and public intimidation by all parties to the conflict, in a general atmosphere of impunity. The operations of armed non-state actors such as the Karuna Faction have increased the levels of fear and insecurity for the civilian population.

¶13. (U) The international community has responded with political interventions and with emergency aid to the affected. Ambassador Blake has represented the Co-Chairs in discussing humanitarian issues with Defense Secretary Gothabaya Rajapaksa and Minister for Human Rights Samarasinghe and the heads of UN agencies in the monthly Coordinating Committee on Humanitarian Affairs (CCHA). The U.S. Government also has been a leader in providing humanitarian assistance. Since our disaster declaration on August 11, 2006, the USG has provided \$6,869,922 in relief assistance, channeled through UN Agencies, International NGOs and the International Red Cross.

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¶14. (C) Key messages:

- Welcome the opportunity to work with the government in the CCHA to address problems in humanitarian access.
- These meetings with UNHCR, Red Cross and other agencies are critical to improving conditions for the IDPs.
- Very important to rein in the activities of the Karuna Group and assert GSL control over law and order in the East.

WAITING FOR THE OFFENSIVE IN THE NORTH

¶15. (C) Probing attacks in the northwest, in the Madhu area between Olanthai and Mannar, do not appear to have gone especially well for the Sri Lankan Army (SLA). We have learned that an incursion in that area in late March was much larger than publicly known, with perhaps 3,000 Sri Lankan troops committed to the action. A former top general (and Ambassador to Australia and Indonesia), Janaka Perera (strictly protect), told Ambassador that SLA casualties in that operation had also been much higher than reported - 51 dead and 171 wounded. The GSL has downplayed the importance of another such operation in the last few days. Again, we have reports that it may be a more significant engagement, in which the SLA may be trying to locate and destroy the LTTE's light planes.

¶16. (C) Perera did not think the GSL could sustain a long campaign in the north, especially if becomes clear that the offensive stalls and casualties mount. We agree that support for a government offensive operation in the Vanni is based on the Sinhalese majority's belief that the government is on track to defeat the Tigers. If these expectations are

disappointed, the public mood could turn quickly.

GOVERNMENT WANTS HELP ON AIR DEFENSE

¶17. (C) The somewhat successful LTTE air raid against Katunayake air base, adjacent to Colombo's international airport, and a less successful foray against the base at Palaly on the Jaffna peninsula, have created a sense of urgency for help on air defenses. Gothabaya Rajapaksa reiterated the GSL request for support from the U.S. in a meeting with Ambassador, ODC and DATT on April 26. Gothabaya welcomes the prospect of eliminating the threat from the nascent Tiger air force before it becomes as capable as the "Sea Tigers."

Economic Outlook

Conflict Yields Inflation, Suboptimal Growth

¶18. (SBU) Sri Lanka's gross domestic product grew by over 7 percent in 2006 to about \$25.8 billion, or about \$1,355 per capita. The telecommunications, garments, ports, and agriculture sectors are all healthy. This growth was accompanied by 20 percent inflation and a 10 percent depreciation of the Sri Lankan Rupee, however, as the government borrowed heavily to finance military spending, salaries and pensions. Inflation is likely to become a liability for President Rajapaksa. He has instructed the Central Bank to tighten up considerably, but this has not yet succeeded in reining in inflationary pressures.

¶19. (SBU) Both the government and major businesses in Colombo are counting on Sri Lanka's "resilience" to insulate the economy from the conflict. Historically, this has been true, but if the LTTE were to successfully attack a major economic target, as they did with the airport in 2001, this could drag the economy down significantly.

¶20. (C) With this in mind, Embassy has been quietly encouraging business leaders to press actively for a peaceful solution to the conflict. Businesspeople agree with us that a resolution must be political, not military, but they have been timid about saying so publicly, fearing repercussions. Elements of the government view such statements as unwarranted criticism, with ultranationalists characterizing

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them as unpatriotic, or even treasonous. Key message:
-- Emphasize to the government and the media that peaceful resolution of the conflict could unlock significant economic growth potential in the north and the east, which would contribute greatly to the government's goal of reducing poverty and speeding development.

Millennium Challenge Compact

¶21. (C) We have requested an appointment to deliver the MCC's letter informing the GSL of MCC would defer work on the proposed compact "until the security situation, and Sri Lanka's performance on MCC's indicators affecting political right and civil liberties improves." As you know, the GSL is pushing hard to reverse this decision, and is sure to raise it during your visit. We have emphasized that this will require concrete actions to improve human rights, not just new processes. Some of government's recent steps described above may be intended to demonstrate the kind of action we have called for. Key message:
-- Explain that Congress and the MCC will be watching for sustained improvements in areas like respect for press freedom, handling of detainees, and improving security conditions on the ground before being receptive to resuming compact negotiations.

¶22. (U) Our whole team looks forward to ensuring a productive visit for you.

